

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**

Wednesday, November 15, 2006 – 8:30 a.m. – Room W135 House Building

Members Present:

Sen. Curtis S. Bramble, Senate Chair
Rep. Wayne A. Harper, House Chair
Sen. Mike Dmitrich
Sen. Brent H. Goodfellow
Sen. Lyle W. Hillyard
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Ralph Becker
Rep. Tim M. Cosgrove
Rep. Glenn A. Donnelson
Rep. Craig A. Frank
Rep. Fred R. Hunsaker
Rep. Bradley G. Last
Rep. Rebecca Lockhart
Rep. Rosalind J. McGee

Rep. Carol Spackman Moss
Rep. Merlynn T. Newbold
Rep. Patrick L. Painter
Rep. Gordon E. Snow

Members Absent:

Rep. Sheryl L. Allen
Rep. Gregory H. Hughes

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present, a copy of related materials, and an audio recording of the meeting can be found at www.leg.utah.gov.

1. Committee Business

Chair Bramble called the meeting to order at 8:38 a.m.

MOTION: Rep. Donnelson moved to approve the minutes of the October 18, 2006 meeting and the amended minutes of the September 19, 2006 joint meeting of the Revenue and Taxation Interim Committee and the Transportation Interim Committee. The motion passed unanimously with Pres. Valentine, Rep. Harper, Rep. Moss, and Rep. Newbold absent for the vote.

2. Amendments to the Personal Property Tax - Property Required to be Registered with the State

Rep. John Dougall discussed 2007 General Session draft legislation, "Property Tax Exemption for Personal Property," which was mailed prior to the meeting.

MOTION: Rep. Donnelson moved to adopt 2007 General Session draft legislation, "Property Tax Exemption for Personal Property" as a committee bill and with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed with Rep. McGee voting in opposition and Pres. Valentine, Rep. Harper, Rep. Moss, and Rep. Newbold absent for the vote.

3. Committee Business

Mr. Howe distributed and discussed a memo from the Utah State Tax Commission concerning individual income tax contributions and individual income and corporate franchise and income tax credits. He also distributed and discussed a memo concerning the sunset review of the Homeless Trust Account.

MOTION: Rep. Snow moved to remove the Homeless Trust Account from the Sunset Act. The motion passed unanimously with Pres. Valentine, Rep. Harper, and Rep. Moss absent for the vote.

Mr. Howe noted that "TC-23: Monthly Revenue Summary - Four Months FY2006-07" was included in the Committee's packet of information.

4. Report of the Utah Tax Review Commission

Mr. Keith Prescott, Chair, TRC (Utah Tax Review Commission), spoke to the Committee regarding the TRC's study of creating an oil and gas severance tax trust fund.

Sen. Hillyard discussed 2007 General Session draft legislation, "Resolution Regarding Permanent State Trust Fund" and 2007 General Session draft legislation, "Use of Oil and Gas Revenues," which were mailed prior to the meeting.

MOTION: Sen. Hillyard moved to adopt 2007 General Session draft legislation, "Resolution Regarding Permanent State Trust Fund" and 2007 General Session draft legislation, "Use of Oil and Gas Revenues," as a committee bill and resolution with a recommendation that the bill and resolution be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Pres. Valentine and Rep. Lockhart absent for the vote.

Mr. Mark Buchi, member, TRC, distributed and discussed "Utah Oil and Gas Severance Tax Collections."

Mr. David Crapo, Vice Chair, TRC, discussed 2007 General Session draft legislation, "Sales and Use Tax Exemptions for Vehicles, Boats, Boat Trailers, or Outboard Motors Not Registered in the State," 2007 General Session draft legislation, "Sales and Use Tax Exemption for Authorized Carriers," and 2007 General Session draft legislation, "Sales and Use Tax Exemptions for Certain Property Brought into the State," which were distributed prior to the meeting. He also explained that the TRC studied an existing sales and use tax exemption for the Heber Valley Railroad Authority and that additional discussion regarding this exemption would continue next year.

MOTION: Rep. Painter moved to change "14 days" to "30 days" in 2007 General Session draft legislation, "Sales and Use Tax Exemptions for Vehicles, Boats, Boat Trailers, or Outboard Motors Not Registered in the State." The motion passed unanimously with Pres. Valentine and Rep. Lockhart absent for the vote.

Sen. Stephenson asked if this bill would conflict with a sales and use tax exemption that was enacted during the 2006 General Session for purchases of after-market modifications of vehicles and boats.

Ms. Lynn Solarczyk, Tax Commission (Utah State Tax Commission), said that the exemption created last year was for vehicles that are not licensed or registered in the state and not used in the state except for moving to the border. She said there is no time limit for when modifications must occur and that testing and inspecting the modifications does not constitute use.

MOTION: Rep. Harper moved to adopt 2007 General Session draft legislation, "Sales and Use Tax Exemptions for Vehicles, Boats, Boat Trailers, or Outboard Motors Not Registered in the State" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, Rep. Becker, and Rep. Lockhart absent for the vote.

MOTION: Rep. Harper moved to adopt 2007 General Session draft legislation, "Sales and Use Tax Exemption for Certain Property Brought into the State" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, Rep. Becker, and Rep. Lockhart absent for the vote.

MOTION: Rep. Harper moved to adopt 2007 General Session draft legislation, "Sales and Use Tax Exemption for Authorized Carriers" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, Rep. Becker, and Rep. Lockhart absent for the vote.

5. Report of the Privately Owned Health Care Organization Task Force

Rep. David Clark distributed and discussed a memo from the Privately Owned Health Care Organization Task Force.

Sen. Michael Waddoups explained that the Task Force did not adopt the draft memo, but that the Task Force heard testimony from many individuals and that a greater understanding of privately owned health care organizations was achieved.

Chair Bramble turned the chair over to Rep. Harper.

6. Income Tax Subtraction for Health Care Insurance Premiums

Sen. Bramble discussed 2007 General Session draft legislation, "Individual Income Tax Subtractions for Insurance Relating to Medical Care," which was mailed prior to the meeting.

MOTION: Rep. Last moved to adopt 2007 General Session draft legislation, "Individual Income Tax Subtractions for Insurance Relating to Medical Care" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, Rep. Becker, and Rep. Lockhart absent for the vote.

7. Property Taxes for Elderly Taxpayers

Sen. Bramble discussed 2007 General Session draft legislation, "Property Tax Abatement or Deferral," which was mailed prior to the meeting.

Mr. Dennis Stowell, Iron County Commissioner, explained that rapidly increasing property values in Iron County have resulted in property tax increases for some taxpayers.

Mr. Larry Richardson, Salt Lake County Treasurer, spoke to the Committee about several technical problems regarding the draft legislation including: (1) suggesting that irrevocable trusts and other types of transfers of property be included on line 62; and (2) suggesting that the term "sold" include death, the fact that the property is no longer the resident's primary residence, and contract sales.

MOTION: Sen. Bramble moved to transmit 2007 General Session draft legislation, "Property Tax Abatement or Deferral" to standing committee without a recommendation from the Committee. The motion passed unanimously with Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Donnelson, and Rep. McGee absent for the vote.

8. Sales and Use Tax Exemption for Certain Governmental Entities and Entities within the State Systems of Public and Higher Education

Sen. Bramble discussed 2007 General Session draft legislation, "Sales and Use Tax Exemptions for Certain Governmental Entities and Entities Within the State Systems of Public and Higher Education," which was mailed prior to the meeting.

MOTION: Rep. Lockhart moved to adopt 2007 General Session draft legislation, "Sales and Use Tax Exemptions for Certain Governmental Entities and Entities Within the State Systems of Public and Higher Education" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Last, and Rep. McGee absent for the vote.

9. Fuel Tax Bonding Requirements

Ms. Solarczyk discussed 2007 General Session draft legislation, "Fuel Tax Bonding Requirements," which was mailed prior to the meeting.

MOTION: Rep. Frank moved to adopt 2007 General Session draft legislation, "Fuel Tax Bonding Requirements" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Bramble, Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Last, and Rep. McGee absent for the vote.

10. Sales and Use Tax Modifications

Rep. Ferry discussed 2007 General Session draft legislation, "Sales and Use Tax Modifications," which was mailed prior to the meeting, and an amendment to the draft legislation.

MOTION: Rep. Snow moved to amend 2007 General Session draft legislation, "Sales and Use Tax Modifications" as stated in the handout. The motion passed unanimously with Sen. Bramble, Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. McGee, Rep. Moss, and Rep. Newbold absent for the vote.

Mr. Jim Olsen, Utah Food Industry Association, spoke in favor of the bill and the amendments.

MOTION: Rep. Frank moved to adopt 2007 General Session draft legislation, "Sales and Use Tax Modifications" as amended as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Hillyard, Sen. Stephenson, Pres. Valentine, Rep. Becker, Rep. McGee, Rep. Moss, and Rep. Newbold absent for the vote.

11. Income Tax Additions and Subtractions for Higher Education Savings Plans

Rep. Hunsaker discussed 2007 General Session draft legislation, "Income Tax Additions and Subtractions for Higher Education Savings," which was mailed prior to the meeting.

MOTION: Rep. Hunsaker moved to adopt 2007 General Session draft legislation, "Income Tax Additions and Subtractions for Higher Education Savings" as a committee bill with a recommendation

that the bill be considered by a standing committee during the 2007 General Session. The motion passed unanimously with Sen. Hillyard, Sen. Stephenson, Pres. Valentine, Rep. Becker, Rep. McGee, Rep. Moss, and Rep. Newbold absent for the vote.

12. Sales and Use Tax Exemption for Irrigation Equipment

Sen. Dmitrich explained that an irrigation company in Emery County is in negotiations with the Tax Commission regarding the payment of sales and use tax on tangible personal property that will be used in a proposed irrigation construction project. The irrigation company that is undertaking the construction project is partially owned by Rocky Mountain Power. Sen. Dmitrich said that negotiations are under way regarding the sales and use tax treatment of the project and that he hopes for a favorable disposition of this matter.

13. Income Tax Credits for Alternative Power Generation

Sen. Stephenson distributed and discussed 2007 General Session draft legislation, "Tax Credits for Alternate Power Generation (Option 1)" and 2007 General Session draft legislation, "Tax Credits for Alternate Power Generation (Option 2)."

Mr. Chris Parker, Associate General Counsel, Office of Legislative Research and General Counsel, reviewed the differences between the two options.

Ms. Andrea Wilko, Fiscal Analyst, Office of the Legislative Fiscal Analyst, said that the fiscal memos that were distributed to the Committee are based on previous versions of the bill and do not pertain to the new drafts.

Mr. Phil Powlick, Utah Geological Survey, spoke in favor of the draft legislation. He explained that alternative energy production tax credits are more equitable but that these credits may create an administrative burden on taxpayers.

Mr. Orrin Farnsworth, representing Utah Solar Association, spoke in support of the draft legislation.

Ms. Christine Mikell, Wasatch Wind, spoke in support of the draft legislation.

Ms. Sarah Wright, Utah Clean Energy, spoke in support of the draft legislation.

Mr. Kevin Boardman, Director of Government Affairs, Rocky Mountain Power, spoke in support of the draft legislation.

MOTION: Sen. Stephenson moved to adopt 2007 General Session draft legislation, "Tax Credits for Alternate Power Generation (Option 2)" as a committee bill with a recommendation that the bill be considered by a standing committee during the 2007 General Session. The motion passed with Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Cosgrove, Rep. McGee, and Rep. Newbold absent for the vote.

14. Tax Penalty Amendments

Ms. Solarczyk discussed 2007 General Session draft legislation, "Tax Penalty Amendments," which was mailed prior to the meeting.

MOTION: Rep. Lockhart moved to adopt 2007 General Session draft legislation, "Tax Penalty Amendments" as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Cosgrove, Rep. Donnelson, Rep. McGee, and Rep. Newbold absent for the vote.

15. Tourism, Recreation, Cultural, and Convention Facilities Tax Amendments

Ms. Solarczyk discussed 2007 General Session draft legislation, "Tourism, Recreation, Cultural, and Convention Facilities Tax Amendments," which was mailed prior to the meeting.

MOTION: Sen. Goodfellow moved to adopt 2007 General Session draft legislation, "Tourism, Recreation, Cultural, and Convention Facilities Tax Amendments" as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, Rep. Becker, and Rep. Newbold absent for the vote.

16. Cigarette and Tobacco Tax Licensing Amendment

Ms. Solarczyk discussed 2007 General Session draft legislation, "Cigarette and Tobacco Tax and Licensing Amendments," which was mailed prior to the meeting.

MOTION: Sen. Goodfellow moved to adopt 2007 General Session draft legislation, "Cigarette and Tobacco Tax and Licensing Amendments" as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, and Rep. Newbold absent for the vote.

17. Sales and Use Tax - Common Carriers

Ms. Solarczyk discussed 2007 General Session draft legislation, "Sales and Use Tax - Common Carriers," which was mailed prior to the meeting.

MOTION: Rep. Frank moved to adopt 2007 General Session draft legislation, "Sales and Use Tax - Common Carriers" as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, and Rep. Newbold absent for the vote.

18. Other Items / Adjourn

Sen. Bramble recommended that 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Mailing Requirement," which was adopted as a committee bill during the Committee's September 20, 2006 meeting be placed on the call of any special session that is convened prior to the beginning of the 2007 General Session.

MOTION: Rep. Lockhart moved to request that 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Mailing Requirement" be placed on the call of any special session that is convened prior to the 2007 General Session. The motion passed unanimously with Sen. Dmitrich,

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Sen. Hillyard, Sen. Stephenson, Pres. Valentine, Rep. Becker, and Rep. Last absent for the vote.

MOTION: Rep. Hunsaker moved to adjourn the meeting. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Sen. Stephenson, Pres. Valentine, Rep. Becker, and Rep. Last absent for the vote.

Chair Bramble adjourned the meeting at 11:20 a.m.